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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001056

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SUBJECT: BURMA: HISTORIC HEROIN BUST REVEALS MAJOR
SMUGGLING SYNDICATE

REF: RANGOON 887 (NOTAL DEA REPORT)

Classified By: CDA, a.i. Ron McMullen for Reasons 1.4 (B,D)

1. (C) Summary: Burma's largest heroin seizure in history (592 kilos seized along the southern coast in early July) has uncovered a major drug trafficking syndicate with possible connections to traffickers and markets in Thailand, Vietnam, Hong Kong, Indonesia, Australia, India, and the United States. Unusually, most of the local players are Muslim Sino-Burmese, with no ties to traditional traffickers based in the ethnic Wa and Kokang regions on the Chinese border. Likewise, the seized heroin appears to have originated in the Taunggyi area of southwest Shan State--not in Wa territory, Burma's traditional source for major heroin shipments. More importantly perhaps, a post-seizure investigation has shed further light on a major sea-shipping route from Rangoon to the Andaman Sea, one which the GOB has virtually no capacity to thwart and may well offer drug traffickers a viable, low-risk option to move their product for the foreseeable future. End Summary.

2. (U) A/DCM and PolEconoff met on August 13 with Burmese Police Colonel Hkam Awng to discuss details about an ongoing investigation into the seizures by GOB authorities of 592 kilos of heroin in Tanintharyi (Tenasserim) Division in southern Burma (reftel). Colonel Hkam Awng, as Joint Secretary of Burma's Central Committee for Drugs Abuse

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Control (CCDAC), is the GOB's lead working-level counterdrug official. He described the combined seizure (well over 500 kilos seized on July 9 and more than 70 kilos seized during subsequent searches) as the largest in Burmese history and one of the most significant in the world, with a "street value" of over USD 75 million.

3. (SBU) According to Hkam Awng, the July 9 seizure was a case of good luck. Local police in a small village on Burma's southern coast arrested a "suspicious" character on July 8, which led to additional arrests and the first of two related heroin seizures on the following day. As reported reftel, a follow-on investigation determined that in late May smugglers were originally trafficking the heroin via a small fishing vessel through the Gulf of Martaban, just south of Rangoon, when crew members mutinied, murdered the vessel owner and two others, and brought the heroin ashore for storage.

4. (C) Hkam Awng said that as a result of the seizure, the GOB has uncovered a major heroin trafficking syndicate. Burmese police have to date arrested 36 Burmese persons and are cooperating closely with the DEA, the Australian Federal Police, and Thai drug officials. The investigation has thus far revealed possible connections to heroin traffickers and markets in Thailand, Vietnam, Hong Kong, Indonesia, Australia, India, Seattle, Los Angeles, San Francisco, and Dallas. Despite insights gained on the operational aspects of the syndicate, however, investigators have been unable to trace all financial flows associated with the heroin transactions.

5. (C) Hkam Awng said that although the syndicate "kingpins" appear to be based in Taiwan and/or Hong Kong, most of the local players are young (late 20s, early 30s) Muslim Sino-Burmese men and women from Kengtung in eastern Shan State. These individuals appear to have no ties to traditional Sino-Burmese drug traffickers, older men who are based in the ethnic Wa and Kokang border regions of northern Shan State. A second unusual aspect is that the heroin seized appears to have originated in the Taunggyi area of southwest Shan State, a region that has experienced a dramatic decline in poppy cultivation in recent years, unlike northern Wa territory along the China border which is Burma's principal, and growing, source of poppy, opium, and heroin (as well as ATS).

6. (C) Colonel Hkam Awng said that although the GOB was vaguely aware that traffickers had started shipping heroin south through Rangoon, the July 9 bust shed significant light on a major sea-shipping route--the scope of which has "shocked and surprised" GOB authorities. GOB investigators

have since discovered that the syndicate behind the July 9 case has been operative since 2002 and is responsible for the trafficking of at least 2,000 kilos of heroin by land from Shan State to Rangoon and then onward to the Andaman Sea. The July 9 seizure was the fifth in a series of shipments, but, said Hkam Awng, "we missed the first four, which averaged over 400 kilos each."

17. (SBU) According to Hkam Awng, the syndicate's modus operandi has been to ship heroin from Rangoon by small fishing trawlers under cover of darkness. Concealment of the drugs is rudimentary at best (i.e. heroin packed into coolers), but the traffickers are equipped with high-tech communication equipment including radios, satellite phones, and GPS devices. The small boats then rendezvous south of Burma in the Andaman Sea with large cargo vessels. In the case of the July 9 seizure, for example, traffickers had originally planned to transfer their heroin shipment to a 1,000-plus ton Vietnamese-flagged cargo vessel.

18. (C) Comment: The GOB, Colonel Hkam Awng acknowledges, has a serious problem on its hands. The July 9 heroin seizure and related arrests are good news for the country's counterdrug professionals and may have disrupted a substantial international syndicate. However, the investigation into the July 9 case has also fully exposed a drug trafficking route which Burma has virtually no capacity to thwart. The country has no Coast Guard and its poorly equipped Navy has no counterdrug mandate. Customs inspection capabilities fall well below international standards and the ports are notoriously corrupt. Absent senior-level GOB attention, substantial domestic resources to detect coastal trafficking activities, and close cooperation from neighboring countries, the "southern sea route" may well offer drug traffickers a viable, low-risk option to move their product for the foreseeable future. End Comment.
McMullen